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July 1, 2003

VIA HAND-DELIVERY

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

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PUBLIC SERVICE
COMMISSION

**RE: *In the Matter of:* Petition of CTA Acoustics, Inc. to Retain Kentucky Utilities
Company as Power Supplier
KPSC Case No. 2003-00226
ON&W File No. 1/350**

Dear Mr. Dorman:

Enclosed please find and accept for filing the original and ten (10) copies of the Statement of Kentucky Utilities Company Regarding Provision of Service to CTA Acoustics, Inc. Pending Final Resolution of Matter, in the above-referenced action. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copy and return it to me in the self-addressed stamped envelope.

Should you have any questions or need any additional information, please contact me at your convenience.

Yours very truly,



J. Gregory Cornett

JGC/BS

Enclosures

cc: Parties of Record (w/ encl.)
Linda S. Portasik, Esq. (w/ encl.)

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

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PUBLIC SERVICE
COMMISSION

In the Matter of:

**PETITION OF CTA ACOUSTICS, INC.)
TO RETAIN KENTUCKY UTILITIES) CASE NO. 2003-00226
COMPANY AS POWER SUPPLIER)
AND FOR EXPEDITED TREATMENT)**

**STATEMENT OF KENTUCKY UTILITIES COMPANY
REGARDING PROVISION OF SERVICE TO
CTA ACOUSTICS, INC. PENDING FINAL RESOLUTION OF MATTER**

Kentucky Utilities Company ("KU"), by counsel and in compliance with the direction of Commission Staff Counsel at the informal conference in this matter on June 27, 2003, states that it is ready, willing and able to provide electric power to CTA Acoustics, Inc. ("CTA") pending final resolution of this matter by the Commission. KU agrees that the provision of such service would be without prejudice to Cumberland Valley Electric, Inc. ("CVE") with regard to a final decision by the Commission in this matter. KU takes no position on whether it is necessary to have a hearing on the issue of service pending final resolution of this matter.

KU proposes to provide service to CTA by constructing a short extension (approximately 1900 feet) of an existing three-phase line built to serve the Southeast Kentucky Regional Business Park ("Business Park") in Corbin, Kentucky. That extension could be used to serve not only CTA's new facility in the Business Park, but also other customers locating in the Park. Thus, even assuming, for the sake of argument only, that the Commission ultimately does not grant CTA's request to accept permanent

electric service from KU, any extension built to provide service by KU pending final determination by the Commission (other than a small portion actually going onto CTA's property) would not have to be removed and could likely be put to other use.

KU has a history of providing electric service to the land which now comprises the Business Park, has had facilities on that land since at least 1928, and can provide reliable, low-cost service to CTA and other businesses locating in the Park from its existing facilities. CVE, on the other hand, has no history of service to the land comprising the Business Park other than recent temporary service to a CTA contractor, and cannot provide service to the entire Park from its existing facilities.

During the informal conference on June 27, 2003, Commission Staff heard from Mr. Jim Pike, CEO of CTA, who passionately stated that reliable, uninterrupted electric service at a low cost is absolutely critical to CTA's viability (and thus its continued status as an employer to hundreds in a depressed area of the Commonwealth) in an industry with the slimmest of profit margins and minimal inventories. CTA has been receiving that reliable, uninterrupted, low-cost electricity from KU for approximately 30 years (at its previous location six miles from the Business Park), and it is absolutely undisputed that KU is ready, willing and able to provide such service to CTA's new plant from its existing facilities in the Business Park.

During the informal conference, however, CTA presented its discussions with CVE regarding the provision of service, and raised questions about the cost and reliability of service from CVE. Specifically, CTA established that up until the filing of this action, CVE had repeatedly stated that an "\$800,000 transmission investment [was] required" in order to serve CTA. *See* Exhibit IV to the Response On Behalf of Cumberland Valley

Electric And East Kentucky Power Cooperative, Inc. CVE now takes the position that it does “not currently believe” that such a transmission investment is in fact required, and that service could instead be provided through “limited CVE distribution additions” which would “postpone the need for” – but not eliminate – a transmission investment.¹ See Response On Behalf of Cumberland Valley Electric And East Kentucky Power Cooperative, Inc., ¶ 12. CTA advised Commission Staff that it was *never* made aware of any proposal which did not include a transmission investment, and raised a question of whether the newly-proposed “upgrade” of CVE’s distribution line could in fact provide reliable service.

CTA needs more than a self-serving “belie[f]” – surfacing for the first time last week – that reliable service can be provided. It needs an assurance of reliable, non-interruptible service at the lowest available cost. Only KU can without question provide that service at this time. Until such time as full discovery can be conducted, the question of whether CVE’s upgrade proposal can indeed provide reliable service to CTA is resolved, and the issue of whether the Business Park should be considered one electric-consuming facility can be finally determined, the Commission should give CTA the benefit of the doubt and allow it to accept service from KU. In doing so, the Commission will insure that CTA receives low-cost, reliable service, unnecessary facility construction or upgrades will be minimized, and no prejudice will be suffered by CVE.

KU therefore requests that the Commission allow it to provide service to CTA pending the final resolution of this matter. In the meantime, and all of the above

¹ Any transmission facilities ultimately constructed to allow CVE to provide adequate service to CTA or any other customer on the Business Park would duplicate KU’s existing facilities and unnecessarily encumber the landscape.

notwithstanding, KU also advises the Commission that it will consider available options for resolving this matter in a manner which could be acceptable to all parties.



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CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing was served, via U.S. Mail, postage prepaid, this 1st day of July, 2003, upon the following:

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